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Message Text

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PAGE 01 MEXICO 13090 090745Z
ACTION ARA-14

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 SP-02
LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01
L-03 H-01 PA-01 PRS-01 /088 W
----------045398 090753Z /17/45
R 060041Z AUG 77
FM AMEMBASSY MEXICO
TO SECSTATE WASHDC 4052
INFO TREASURY WASHDC

C O N F I D E N T I A L MEXICO 13090

C O R R E C T E D C O P Y FOR MRN /MEXICO 13090 VICE 03090/

PLEASE PASS FEDERAL RESERVE BOARD

E.O. 11652: N/A
TAGS: EFIN, MX
SUBJECT: BANK OF MEXICO PROPOSAL FOR BACK TO BACK LOANS

REF: MEXICO 11976

1. SUMMARY. THE BANK OF MEXICO IDEA OF CREATING A SYSTEM WHEREBY POTENTIAL INVESTORS CAN INVEST IN DOLLAR DEPOSITS AND RECEIVE PESOS IS EXCITING CONSIDERABLE INTEREST, BUT DETAILS REMAIN TO BE FINALIZED. END SUMMARY.

2. THE BANK OF MEXICO'S PLAN FOR A SCHEME WHEREBY THEY PROVIDE FORWARD COVER TO AN INVESTOR (SEE REFTEL) IS STILL BEING STUDIED. BANK OF MEXICO OFFICIAL TOLD FINATT THAT THE PROBLEM IS TO DEVISE A SCHEME THAT WILL SATISFY THE BANK'S LAWYERS. THERE ARE A NUMBER OF REPORTS AS TO THE DETAILS OF THE SCHEME, BUT AS BEST WE CAN DETERMINE, THESE ARE NOT FINAL. THE SCHEME APPARENTLY HAS ITS
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PAGE 02 MEXICO 13090 090745Z

ORIGINS IN A PREVIOUS OPERATION OF THE BANK OF MEXICO WHEREBY THE BANK WOULD PROVIDE FORWARD COVER TO COTTON BROKERS WHO WOULD LEND MONEY TO GROWERS.

3. THE SCHEME HAS GENERATED CONSIDERABLE INTEREST. OFFICIAL OF ONE OF THE TWO LARGEST PRIVATE BANKS TOLD FINATT THAT THEY ALREADY HAD APPLICATIONS FOR THE FACILITY

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OF 2 BILLION PESOS. THE DISCUSSIONS SEEM WELL KNOWN IN THE U.S. AND MEXICO. A BANK OF AMERICA EXCHANGE MARKET DEALER SAID THAT THE PESO FORWARD MARKET HAS VIRTUALLY DRIED UP SINCE THE SCHEME HAS BEEN DISCUSSED.

4. BANK OF MEXICO DOES NOT PLAN TO ISSUE ANY PUBLIC DOCUMENT ON THE FACILITY, APPARENTLY ON THE GROUNDS THAT THEY WANT TO MAINTAIN AS MUCH FLEXIBILITY IN ITS USE AS POSSIBLE. THEY HAVE FORMED AN INTERNAL COMMITTEE TO EXAMINE THE VARIOUS APPLICATIONS.

5. WE WILL REPORT DETAILS FF THE PROGGAM AS THEY BECOME FIXED.

6. TREASURY DEPARTMENT IS CONSIDERING A SCHEME WHEREBY PRIVATE INSURANCE COMPANIES WILL PROVIDE FORWARD COVER. THIS IS STILL IN AN EMBRYO STAGE. LUCEY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INSURANCE, BANK LOANS, INVESTMENTS, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Sent Date: 06-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977MEXICO13090
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: DG ALTERED
Executive Order: GS
Errors: N/A
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From: MEXICO
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Litigation History:
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Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
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Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 MEXICO 11976
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
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Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1689696
Secure: OPEN
Status: NATIVE
Subject: BANK OF MEXICO PROPOSAL FOR BACK TO BACK LOANS
TAGS: EFIN, EINV, MX, BANK OF MEXICO
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/594ce360-c288-dd11-92da-001cc4696bcc
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